

POOR LEGIBILITY

**ONE OR MORE PAGES IN THIS DOCUMENT ARE DIFFICULT TO READ
DUE TO THE QUALITY OF THE ORIGINAL**

AR5033

STAUFFER CHEMICAL COMPANY

SAN FRANCISCO OFFICE

To: Mr. J. F. Orr
Mr. F. A. Schreck
Mr. H. J. Wurzer
Mr. A. R. Wilcox
Mr. W. A. Smith
Mr. K. M. Overbeck

Date: August 19, 1963

From: L. F. Cummings

Subject: Report on Stauffer
and Montrose-NJ
Charges to Montrose
of California
Effective: 9/1/63

cc: Mr. S. Rotrosen
Mr. B. L. Rothberg
Mr. A. D. Hall
Mr. R. N. Stillman
Mr. J. F. Luther

For a number of years, it was the practice to issue an annual up-to-date report covering the inter-company charges by Stauffer Chemical Company and Montrose of New Jersey (now Baldwin-Montrose) to the joint venture, Montrose Chemical Corporation of California. This plan proved an effective means of setting forth charge patterns and formulas to cover the relationships between the Stauffer and Montrose-New Jersey locations and the plants and offices of the operating venture.

There have been only a few adjustments since September 1, 1960, but recently it became evident that we should have this year a full-scale review. The new proposals have now been agreed on and the new charges go into effect as of September 1, 1963. Copy of the report is enclosed and it is to be understood that each one involved will comply with the revised schedules as set forth.

Lloyd Cummings

LFC:cs
Encl.

00-0102295707

POOR QUALITY
ORIGINAL

APR 2 1963

INDEX

	<u>Title</u>	<u>Page No.</u>
Section I	Summary and Recommendations	1-2
Section II	Scope of Report	3
Section III	Henderson Plant	4-8
Section IV	Torrance Plant	9
Section V	Newark Office	10
Section VI	Los Angeles Office	11
Section VII	San Francisco Office	12-14
Schedule 1	Allocation Plan - Henderson	15-20
Exhibit A	Major Equipment Rental - Henderson	21
Exhibit B	Personal Tool Expense - Henderson	22-23
Exhibit C	General Shop Charges - Henderson	24
Exhibit D	Burden Calculations - Henderson	25
Schedule 2	Allocation Plan - Los Angeles	26
Schedule 3	IBM Payroll Processing - San Francisco	27

MPR 2-76

POOR QUALITY
ORIGINAL

00-010 03 00 07

SECTION I

Summary and Recommendations

At the Henderson, Nevada location, Montrose leases several parcels of land on which it has facilities for producing chloral, monochlorobenzene, hydrochloric acid, and ethyl chloride. Intercompany charges develop through Montrose's part-time use of administrative, clerical, and maintenance help as well as use of common facilities, equipment, etc.

The operations of Montrose and Stauffer at Torrance, California are fairly distinct, and the matter of charges for joint services are small and handled by the two plant superintendents.

Several employees at the Newark, New Jersey office continue to devote part of their time to Montrose-California, and therefore this proration of salaries and expenses has been revised.

In the Los Angeles, California office, Montrose has several full-time employees as well as joint use of office services in connection with sales, payroll, mail, etc. A charge for the services as well as for office rent has therefore been negotiated.

The San Francisco, California office prepares the charges for that portion of activity of the Employee Relations, Traffic, Payroll and the IBM installation, which is directed to Montrose.

As a result of this joint survey, the following recommendations are made:

1. The San Francisco office, prepare the Henderson direct charges as shown on pages 4 through 7 of this report. For the indirect or prorated charges, change the monthly billing from the present figure of \$1,642 to \$2,165.
2. The San Francisco office, charge Henderson general shop expense at the rate of \$0.24 per craftsman hour which coincidentally is the same as the previous rate.
3. The San Francisco office, charge Henderson cost of repairs to joint facilities of water supply and sewage disposal on the basis of ratio of use of the particular facility as agreed by the Stauffer Works Manager, and the Montrose Superintendent rather than directly based on the ratio of water used.
4. The San Francisco office, include insurance and retirement plan costs on 11% overhead rate for Montrose hourly employees.
5. At Torrance, direct charges are clearly defined and the small prorated charges are adequately handled.

4211 47

POOR QUALITY
ORIGINAL

00-010 63 05 07 72

6. Change the total of indirect charges from the previous amount of \$1,978 at the Newark office to the new amount of \$2,059.

7. The Los Angeles office, revise the monthly charges from the previous amount of \$1,067 to the new figure of \$1,512.

8. The San Francisco office, revise the monthly indirect charge from the previous figure of \$863 to a new figure of \$891.

9. Make the new charges from Stauffer effective September 1, 1962 with interim reviews of selected items during the year and another full study a year from now.

SECTION II

Scope of Report

This review, as previously reported, generally covers only the various negotiated charges not incorporated in legal documents or other formal agreements.

These documents cover the original agreements with respect to the formation of the Company, general operating policies, sales agreements for products passing among the three companies, and lease agreements for land and facilities at Henderson and Torrance. These formal contracts are revised or supplementary documents processed as needed to cover changing requirements.

Also excluded from the scope of this report are several administrative matters as certain salaries and management fees which are the responsibility of top management.

CC-010 C3 U7 7

POOR QUALITY
ORIGINAL

SECTION III

Henderson Plant

The relation of Stauffer and Montrose at Henderson, like the other plants, falls into two categories, one group concerns direct charges and the other group, indirect or prorated charges.

A. DIRECT CHARGES

1. Hydrogen

Based on cost of natural gas, if and when used.

2. Miscellaneous Advances

Directly purchased for Montrose and charged at month end from vendors' invoices.

3. Payrolls

a. Hourly Payroll

There are 27 operators and 42 maintenance men paid by Stauffer who regularly and completely work at the Montrose plant. In addition, Stauffer hourly employees devote part of their time to Montrose operations. This hourly payroll applicable to Montrose operations is accumulated by San Francisco accounting and billed to Montrose monthly.

b. Hourly Payroll - Payroll Taxes and Benefits

The total hourly payroll (gross earnings) applicable to Montrose hourly employees will be multiplied by 112 to cover employee payroll taxes and benefits, i. e., payroll taxes, insurance, and retirement plans. (See Exhibit D, page 25, part C.) The total hourly payroll (gross earnings) applicable to Stauffer hourly employees working for Montrose will be multiplied by 182 to cover employee payroll taxes and benefits, i. e., payments for unworked time, payroll taxes, insurance and retirement plans. The difference in the percentage figure results from the different methods used in coding payments for vacation, holiday, and other unworked time. (See Exhibit D, page 25, part D.)

c. Salary Payroll

There is one office girl, 12 supervisors (including plant superintendent), and 6 laboratory technicians who regularly and completely work for Montrose. This salary payroll is accumulated by San Francisco accounting and billed to Montrose monthly. In addition, there are several Stauffer salary employees who devote part of their time to Montrose; these charges are described under the section on indirect charges.

CC-010 22 25 27 29

POOR QUALITY
ORIGINAL

SECTION III (Cont'd)

Henderson Plant

d. Salary Payroll - Payroll Taxes and Benefits

Actual payroll taxes and benefits are accumulated by San Francisco Accounting for the 19 Montrose salary employees and billed to Montrose on an actual basis. Payroll taxes and benefits for Stauffer salary employees who devote part of their time to Montrose are billed to Montrose on the basis of 10% of their salaries as described under the section on indirect charges.

4. Power

Cost based on actual usage per separate meter readings. Price of actual cost of power delivered to Montrose which includes Colorado River Commission billing, plus B. M. I. distribution charges, plus proportionate share of line losses, plus proportionate share of cost of energizing and maintaining substations serving Montrose.

5. Rental Land

\$60 per month as per lease dated October 1, 1955. This lease covers eight parcels of land totaling 10.1344 acres as described in the agreement and the subsequent amendments dated April 23, 1958 and December 22, 1960.

A.	1.00 acres
B.	8.00
C.	0.51
D.	0.02
E.	0.0702
F.	0.0530
G.	0.0179
H.	<u>0.2380</u>
Total	<u>10.1344</u> acres

The present termination date of this lease is 1/14/67, but this may be extended to 1/14/77 by the use of the two remaining renewal options. Each option is to be exercised one year prior to the expiration date of the current period. Taxes on the above property are for the account of Montrose.

6. Steam

Plant engineers' reading. Billed at estimated monthly cost adjusted to actual in the month following.

7. Telegraph

This will consist only of messages sent by Stauffer personnel on behalf of Montrose.

8. Telephone

This will consist of call charges incurred by Stauffer personnel on behalf of Montrose.

Henderson Plan: (Cont'd)

Montrose will be billed only for messages sent or received by Montrose personnel or by Stauffer personnel on behalf of Montrose.

Charged by meter reading at B. M. I. price.

Based on hours spent on actual projects. (Construction in Progress - Appropriations)

The Montrose protected area has been computed as follows:

Areas are charged for on basis of standard agreed upon by member firms of the S. M. I. complex.

	<u>Sq. Ft.</u>
1. Main Process Section	36,990
2. Synthetic Acid System	97
3. Office	477
4. Benzene Storage	8,425
5. Alcohol Storage	2,970
6. Polychlore Storage	4,500
7. Acid Storage	135
8. M.C.B. Storage at Hercules	8,294
9. Change House	384
10. Shop	1,040
11. Warehouse	731
12. Compressor Bldg.	392
13. Ethyl Chloride Storage	698
14. Trestle and Loading	-
Total	65,139 Sq. Ft.

Stauffer receives billings from B. M. I. at the current rate of \$4.50 per thousand square feet. This rate may vary from month to month depending upon the charges as billed by B. M. I. Periodic surveys will be made to determine area involved.

The protected area is defined as "land occupied by tanks or structure" and does not include vacant land.

Currently billed to Stauffer by B. M. I., based on number of employees on the project. Stauffer will rebill Montrose for its share based on the actual number of Montrose employees.

424-444

ORIGINAL

POOR QUALITY

SECTION III (Cont'd)

Henderson Plant

14. Chlorine and Caustic

Chlorine gas and 50% caustic will be billed at prices negotiated by the Stauffer Sales Department and Montrose. Dilute caustic is billed at \$35 a ton and cell liquor is to be charged at \$40 per ton (100% NaOH Basis).

15. Charge for Borrowed Craftsmen

A supervisory charge plus tool and general shop charge totaling 72c per hour shall apply to all borrowed craftsmen. The total number of Stauffer manhours used by Montrose shall have the Montrose manhours used by Stauffer deducted, and the net Stauffer manhours used by Montrose will be billed at the 72c per hour surcharge. The Accounting Department should show the deduction of manhours loaned by Montrose on their billing.

Supervision (See detail Schedule 1, p. 16)	\$0.38
Personal tool depreciation (See detail Exh. B, pp. 22 and 23)	.10
General Shop (See detail Exhibit C, p. 24)	.24
Total Overhead charge per maintenance manhours	<u>\$0.72</u>

16. Water and Sewer Lines

Cost of repairs to joint facilities of water supply and sewage disposal to be billed upon basis of ratio of use of the particular facility as agreed by the Stauffer Works Manager and the Montrose Superintendent.

17. Use of Equipment

Stauffer-owned major equipment used by Montrose will be billed on an hourly charge based on the depreciation, maintenance and operating fuel costs to Stauffer. The major items of equipment and the hourly charges are shown in Exhibit A, page 21. Five pieces of older equipment do not carry a depreciation factor.

- B. The following is a summary of Indirect Charges as recommended for the future and previously established. For detail analysis of these indirect charges, please refer to supporting Schedule 1 at the close of this report.

	<u>Charges Proposed</u>	<u>Previous Charges Effective 9/1/68</u>
1. Salaried Payroll	\$ 727	\$ 704
2. Auto Expense	-	17
3. Donations	116	91
4. Garbage and Refuse Removal	62	37
5. Janitorial Service	233	213
6. General Works Expense	773*	379
7. Office and Laboratory Facilities	146	122
8. Warehouse Expense	95	79
	<u>\$2,552</u>	<u>\$2,552</u>

APR 1969

00-010-2255700
POOR QUALITY
ORIGINAL

Henderson Plant

It should be emphasized that these recommendations for both direct and indirect charges have been discussed with, and have the approval of, the Henderson plant administration.

CC-006599

**POOR QUALITY
ORIGINAL**

SECTION IV

Torrance Plant

A. DIRECT CHARGES

1. Rental

Stauffer leases 8.74 acres of land to Montrose under terms of lease dated October 1, 1955. The lease runs to January 15, 1957, with four 5-year option terms commencing January 15, 1957, 1962, 1967, and 1972. The first two 5-year options have been exercised. On the premises are certain structures consisting of a processing plant, warehouses, machine shop, pipe lines, outside equipment, and office building. The invoice for monthly rental of \$650 is prepared by the Los Angeles office.

2. Property Taxes

Per the lease effected October 1, 1955, property taxes are for the account of the lessee, Montrose. Taxes on improvements and personal property are billed directly to Montrose. Taxes on land are distributed as follows:

17.73 acres total land
8.74 acres leased to Montrose, or 49.3% of total

Taxes on land for the year 1962-1963 amounted to \$5,800.00 of which 49.3% or \$2,859, was billed to Montrose. The billing is prepared by the San Francisco office.

3. Utilities

Water, both purchased and well water, used by Montrose from the Stauffer facilities, is metered and the monthly billing prepared by the San Francisco office. Montrose is also billed a flat \$100 per month for electricity for the 25 HP electric motor operating the cooling tower pump and for power and lights in the machine shop.

4. Payroll Charges

Montrose provides loading labor for BHC from time to time at the Stauffer plant. Stauffer is charged actual labor expense plus an 85% overhead factor.

B. INDIRECT CHARGES

There is a Stauffer BHC plant at Torrance on land apart from the property rented to Montrose for the technical DDT plant. The joint use of spur track, roadways, parking lot, etc. are included in the lease agreement and rental charge. The cost of maintenance of common facilities are shared by both companies and worked out between the two managers.

00-0100000000

POOR QUALITY
ORIGINAL

SECTION V

Newark Office

A. DIRECT CHARGES

1. Telephone and Telegraph

Toll calls for telephone and telegraph are charged directly to Montrose-California.

2. Laboratory Salaries and Expenses

Laboratory salaries and expenses for special projects are charged directly to Montrose-California.

B. INDIRECT CHARGES

On the basis of monthly average expenses for the six months period ended June 30, 1963, the new monthly charges for the allocation of Newark office and overhead charges to Montrose-California are:

<u>Item</u>	<u>Monthly Average Expenses</u>	<u>Percentage Allocable to Montrose- California</u>	<u>Montrose- California Share of Expenses</u>	<u>Prev. Alloc. in Effect Since August 1, 1962</u>
Office Salaries	\$ 2,458	35%	\$ 860	\$ 827
	955	75%	716	694
Telephone & Telegraph	575	10%	58	64
Postage and Miscal.				
Supplies	422	5%	21	13
Laboratory Salaries	7,916	2.5%	198	183
Laboratory Expenses	1,155	2.5%	29	25
Payroll Taxes & Benefits (10% of allocated salaries)			177	170
Total			\$ 2,059	\$1,978

00-01000000

POOR QUALITY
ORIGINAL

SECTION VI

Los Angeles Office

A. DIRECT CHARGES

Plant Payroll

The hourly rate payroll at Montrose-Torrance is prepared jointly by the Torrance plant and the Stauffer-Los Angeles office. Charges for labor and employee benefits are cleared out monthly to Montrose. The employees receive Montrose payroll checks, but are covered by the various employee benefit plans of Stauffer.

B. INDIRECT CHARGES

The indirect or prorated charges have again been reviewed as they relate to each department and are summarized below:

	<u>Recommended</u> <u>Sept. 1, 1961</u>	<u>Effective</u> <u>Since 8/1/62</u>
1. Payroll - General Office and Accounting	\$1,145	\$ 743
2. Payroll Taxes and Benefits	115	74
3. Office Rent	222	200
4. Miscellaneous	<u>50</u>	<u>50</u>
Total	<u>\$1,532</u>	<u>\$1,067</u>

The above recommended charges have been discussed with the Stauffer department heads involved and have their approval. Detailed analysis of the individual charges is set forth in Schedule 2 on page 25.

SCHEDULE VII

San Francisco Office

A. DIRECT CHARGES

1. Traffic Department

Traffic Department charges are billed monthly on the basis of actual time spent for Montrose plus an 85% overhead factor for secretarial service, office rent, telephone, stationery supplies, etc.

A monthly charge for tank car rental for cars in service of Montrose is also made.

2. Payroll Charges

Montrose-Torrance and Henderson salary payroll plus actual payroll taxes and benefits are billed monthly by the Payroll Section and charged directly to Montrose. Montrose-Henderson wage roll plus percentage overhead is billed to Montrose by the San Francisco accounting department.

3. Accounting Department

All direct expenses paid for the account of Montrose by Staffer are accumulated from the voucher register by the Accounting Department and rebilled to Montrose. These items are incurred at either the San Francisco or the Los Angeles areas and include such items as telephone, gardening, water, savings bonds, etc.

B. INDIRECT CHARGES

1. Employee Relations Department

Labor Relations, Safety Procedures, Employee Welfare and Improvement Programs:

Total employees, Western Division, June 30, 1963 -

(Includes hourly employees Western Phosphate and American Litharge plants serviced to date) 2,766

Total Montrose Employees (Torrance 118, Henderson 88
Los Angeles 3)

210

Montrose employees equal 7.6% of total -

Proposed monthly charge to Montrose Chemical Corporation of California is based upon average monthly charges to Employee Relations Department budget for the fiscal period January 1, 1963 to June 30, 1963 as follows.

CC-010 23 20 20 27

POOR QUALITY
ORIGINAL

San Francisco Office (Cont'd)

	\$4,163 x .076 =	\$316
Payroll Taxes & Benefits (10% of salaries)	416 x .076 =	32
Travel Expenses	1,197 x .076 =	91
Service Publications (BNA, AMA, etc.)	59 x .076 =	4
Office Overhead (Rent \$462, Telephone & Teletype \$236, Supplies \$75; Depreciation \$43)	816 x .076 =	62
		<u>\$515</u>

22

POOR QUALITY
ORIGINAL

San Francisco Office (Cont'd)

	<u>Recommended</u>	<u>Effective Since 8-1-62</u>
Employee Relations Department	\$505	\$503
Accounting Department		
Payroll Section	224	242
Tabulating Section	162	128
	<u>\$891</u>	<u>\$863</u>

CC-0100655

POOR QUALITY
ORIGINAL

SCHEDULE 1

Recommended Allocation Plan
Charges from Henderson Plant by Stauffer Chemical Company to Montrose

1. SALARIED PAYROLL

Administrative

Orr	5%
Schreck	2%
Stewart	2%

Personnel

Schreck	20%
---------	-----

Traffic

Green	5%
-------	----

Charges for Supervisory and General Personnel - \$329 per Mo.

Timekeeping & Payroll

McMillan	29%
----------	-----

Steno-Mail-Teletype-Ditto Processing-Multilith

McCaw	2%
-------	----

Personnel

Graham	29%
--------	-----

Production Records

Sanchez	6%
---------	----

Charges for Office and Clerical Personnel - \$326
\$655

11% for Payroll Taxes, various insurance costs, etc.

\$ 72
\$727

00-01022000

SCHEDULE 1

1. SALARIED PAYROLL (Cont'd)

Maintenance Salaried Supervision

Total annual salary of Black, Miller, Lawrence, Gentner, and Perrin and 50% of Weber's annual salary plus payroll taxes is \$52,950.

There are 67 wage earners in the Maintenance Department who are not assigned specifically to the Montrose or Chlorine and Caustic areas. The number of hours worked in a year by these men would be $67 \times 2,080$, or 139,360 manhours.

The total annual supervisory salaries (\$52,950) divided by the total manhours (139,360) is the cost of supervision per manhour (\$0.38).

The basis for the monthly Maintenance supervision billing to Montrose will be the total maintenance manhours worked for Montrose exclusive of Montrose's own maintenance personnel, multiplied by \$0.38.

2. DONATIONS AND EMPLOYEE ACTIVITY (1962)

Boy's State	\$ 55
Press Club Train Ride	265
American Red Cross First Aid Texts	75
Elmer L. Hughes, First Aid Instructor	300
Artemisia - U. of Nevada Yearbook	40
Black Mountain Country Club Golf Tournament	50
Hend. Chamber of Commerce Fireworks Display	100
Executive Secretaries	29
Federated Employer's of Nevada	60
Friends of Youth (Golden Gloves)	25
Hend. Chamber of Commerce Annual Membership	200
City of Henderson, Baseball	80
Radio KORK (Nev. State Hi School Basketball Tourney)	70
Las Vegas Chamber of Commerce Annual Membership	75
Basic High School El Lobo Yearbook	45
Basic High School Lobo News	18
Women's Bowling Team Shirts	18
Nevada Constables Association	50
Nevada Peace Officer	50
Nevada Taxpayers Assn.	250
Police Safety Council (Las Vegas)	50
Rose de Lima Hospital Aux.	25
L. V. Shrine Circus	50
The State Policeman	25
Christmas Party (Tropicana)	1,209
Union Pacific Jr. Old Timers	20
United Fund	1,000
U. of Nevada Board of Regents (Math. Contest)	50

DONATIONS AND EMPLOYEE ACTIVITY (1962) - (Cont'd)

Nev. Southern University Yearbook	5	35
Outfitting Miss Industrial Days		63
Nat'l. Society for the Prevention of Blindness (Contributing Membership)		50
Hend. Women's Bowling Assn.		17
Stauffer Men's Bowling League		175
Ind. Days Bowling Tourney		22
Stauffer-Niagara vs. Stauffer-Henderson Bowling Tourney		5
Public Service Advertising		22
Total		<u>54,816</u>

Average one month - \$401 (ratio of Montrose employees to total)

$$\$401 \times 29\% = \underline{\$116}$$

3. REMOVAL OF REFUSE, GARBAGE AND WASTE

6 months, 1963 cost = \$1,229
Average cost per month = \$205
(Basis - Dollar value ratio payrolls)

$$\$205 \times 30\% = \underline{\$62}$$

SCHEDULE 1

4. JANITORIAL SERVICE

Average of 4 hrs. per day for 5 days per week:

$$\$1,396 \div 6 = \underline{\underline{\$233}}$$

$$(2.2 \times 20 \text{ hrs.} = 44.0 \times 26 = \$1,258 + 11\% = \$1,396)$$

5. GENERAL WORKS

a. Watchmen Distribution based on Fire Protection

Labor - $\$12,558 \div 6 \text{ Mos.} = \$2,093 \text{ per month}$
 $\$2,093 \div 263,055 \text{ sq. ft. (Total protected area)}$
equals $\$7.96 \text{ per M Sq. Ft.}$

$$\text{Montrose total area} = 65,139 \text{ sq. ft.} \times \$7.96 \text{ per M sq. ft.} = \underline{\underline{\$519}}$$

b. Road & Yard Expense: (Distribution based on number of employee ratio)

Labor	\$3,880	
Material	<u>1,372</u>	
	\$5,252	$\div 6 = \$875 \times 29\% = \underline{\underline{\$254}}$

Major expenses exceeding \$500 will be apportioned between Stauffer and Montrose as agreed upon by Stauffer Works Manager and Montrose Superintendent.

c. Union Time: (Distribution based on number of employee ratio less direct charge to Montrose)

Total union time spent Jan.-June 1963	<u>\$229</u>
Montrose share based on 29% employees	66
Montrose union time (direct charge)	<u>-66</u>
Undistributed Plant Union Time	\$ 0
Montrose charge for union time	<u>\$ 0</u>
TOTAL	<u>\$773</u>

SCHEDULE 1

6. OFFICE & LABORATORY FACILITIES

Maintenance Labor	\$1 534	
Janitor Labor	<u>1 946</u>	\$ 5.498
Maintenance Material	\$ 672	
Janitor Supplies	<u>987</u>	<u>1.659</u>
		<u>\$ 7.155</u>

Apply percentage of Montrose occupied space to
total occupied space $\frac{1215}{19384} = 6\%$

$$6\% \times \$7,157 = \$429 \div 6 = \$72 \text{ per mo.}$$

$$\$72 \div 1,215 = \$0.06 \text{ per sq. ft.}$$

Utilities

Water	\$ 116	
Power 216,100 KWH @ .004	864	
Steam 755.60 tons @ 1.50 ton	<u>1 133</u>	\$ 2,113

Other Costs

Depreciation (25-year basis) \$11,929 per yr. - 6 mos. 5.953

Fire Protection

36,679 sq. ft. @ \$4.30 = \$165 x 6 mos. 990

Insurance (Plt. Avg. \$2,618 per mo. \div 263,055 sq. ft. =
\$9.95 per mo. per 1M sq. ft.)

\$9.95 x 36,679 = \$365 x 6 = 2,190

Taxes-Appraised value of Bldg. \$169,530 x 37 1/2 %

\$63,575 assessed Value

\$63,575 x 3.631 = \$2,302 per year \div 2 = 1,151

Expense of Utilities & Other Costs for 6 mos. \$12,139

Cost per Month \$ 2,023

Cost per Sq. Ft. - Maintenance and Janitor Labor &
Material \$ 0.06

Cost per Sq. Ft. Utilities & Other Costs -

\$2,068 \div 36,679 (total sq. ft. occupied and
unoccupied) \$ 0.06

Cost per Square Foot \$ 0.12

00-010-0700-11-00

SCHEDULE 1

Montrose Charges

H. Wurzer's office	426 sq. ft.
Montrose Laboratory	629 sq. ft.
Chemical Storage Room	160 sq. ft.
Charge to Montrose	1,215 sq. ft. @ 12c =

\$146

7. WAREHOUSE EXPENSE

Power	\$ 300
Water	240
Steam (1,059.70 tons x \$1.50/ton)	1,590
Depreciation (35-year basis) \$2,055	
6 months less 36% - Shop	1,315
Taxes:	
Appraised Value of \$63,950 x 37 1/2 = \$23,980	
Assessed Value x \$3.621 rate =	
\$868 less 36% Shop: 556 ÷ 2 =	278
Fire Protection:	
13,590 sq. ft. x 4.50 = 961 x 6 =	366
Insurance:	
13,590 sq. ft. x 9.95 per mo. = \$135. x 6 =	810
Total 6 Mos. Expense	<u>\$4,899</u>
\$4,899 ÷ 6 = \$816 per month	
\$816 per month ÷ 13,590 sq. ft. = \$0.06/sq. ft.	
Montrose area 1,576 sq. ft. @ 6c/sq. ft. =	<u>\$ 95</u>

Maintenance Labor and Material have been deleted from the above computation. Montrose will be billed directly for major maintenance such as re-roofing or exterior painting on basis of their square foot ratio to total. They will maintain their own area.

00-0-0 53 43 7 7

POOR QUALITY
ORIGINAL

985-2117

EXHIBIT A

MAJOR EQUIPMENT RENTAL TO MONTROSE

<u>I T E M</u>	<u>Equipment Cost</u>	<u>Life in Hours</u>	<u>Power or Fuel/Hour</u>	<u>Power Cost/Hr.</u>	<u>Depre. Cost</u>	<u>Maint. Cost/Hr.</u>	<u>Total Cost/Hr.</u>
1. Portable Water Pump	\$1,200	4,160	1 GPH	\$0.36	\$ -	\$0.10	\$0.36
2. Acid Circulating Tank & Trailer	1,200	4,160	3 Hp.	0.02	0.29	0.05	0.36
3. Portable Air Compressor	5,000	10,400	5 GPH	1.80	0.48	0.10	2.38
4. Welders (300 Amp.)	1,000	10,400	20 Hp.	0.15	-	0.05	0.20
5. 1-D Tractor	1,338	8,320	3 GPH	1.08	-	0.10	1.18
6. Ethyl Chloride Still Bottoms Trailer	400	8,320	-	-	0.05	0.05	0.10
7. Ethyl Chloride Still Bottoms Tank	800	10,400	-	-	0.08	0.02	0.10
8. Dump Truck - 1 1/2 Ton	3,500	10,400	2 GPH	0.72	0.34	0.10	1.16
9. Dempster & Dempster	6,500	10,400	3 GPH	1.08	0.63	0.15	1.86
10. Tractor Lift Truck	4,107	10,400	2 GPH	0.72	0.40	0.10	1.22
11. Lorain Crane	6,000	10,400	6 GPH	2.16	-	0.15	2.31
12. Link Belt Crane	8,032	8,320	6 GPH	2.16	0.96	0.15	3.27
13. Crane Car	1,000	8,320	3 GPH	1.08	-	0.10	1.18
14. Power Hack Saw	1,281	10,400	1 Hp.	0.01	0.12	0.05	0.18
15. Lath	4,340	20,800	10 Hp.	0.08	0.21	0.05	0.34

EXHIBIT B

BOILERMAKERS

2	Impact Tools - 1 @ \$159 and 1 @ \$125	\$	284
	Slings		60
1	Power Hand Grinder		10
1	Acetylene Welder		100
	Hand Tools and Safety Equipment		256
			<hr/>
			\$ 550

Use 5-year life for depreciation and maintenance - 10,400 Hrs.

Cost per hour per man = $\frac{\$550}{10,400 \text{ Hrs.}}$ = \$0.08/hr./man

MACHINISTS

1	Acetylene Welder	\$	200
1	Electric Drill (Hand)		40
1	Drill Press		75
1	Air Drill (Hand)		70
1	Shaper (\$250.00 A.C.)		250
1	Blower (Portable)		45
1	Power Hoist		250
1	Hand Hoist		47
1	Bench Grinder		50
1	Portable Grinder		30
1	Micrometer Set		90
	Hand Tools and Safety Equipment		101
			<hr/>
			\$1,248

Use 5-year life for depreciation and maintenance - 10,400 Hrs.

Cost per hour per man = $\frac{\$1,248}{10,400 \text{ Hrs.}}$ = \$0.12/hr./man

CARPENTERS

2	12" Crescent Wrenches	\$	4
2	10" Crescent Wrenches		5
1	Skill Saw		82
1	Sander		105
2	Brace and set of bits (2 x \$14.13) + \$30		58
2	Hand Saws (\$8.00 ea.)		16
6	Screw Drivers (\$1.60 ea.)		9
2	Levels (\$9.50 ea.)		19
1	Claw Hammer		4
1	Wood Chisel Set		25
	Tapes - Metal		3
1	Hand Ax		3

EXHIBIT B (Cont'd)

CARPENTERS (Cont'd)

1	Wrecking Bar	\$	3
2	Trowels		-
1	Framing Square		10
1	Combination Square		5
1	15" Smoothing Plane		12
1	Block Plane		5
1	Chalk Box & Line		2
1	Mitre Box and Saw		25
1	Keyhole Saw		-
	Rasps and files, Nail Punches		29
	Safety Equipment		20
		\$	514

Use 5-year life for depreciation and maintenance - 10,400 Hrs.

Cost per hour per man = $\frac{514}{10,400/\text{Hr.}}$ = \$0.05/Hr./man

Estimated cost of maintenance and depreciation for large items at Carpenter Shop to be added to the above figure. Suggest Estimated Cost to be \$0.05/Hr./man.

Total Cost/Hr./man to be \$0.05 + \$0.05 = \$0.10/Hr./man.

SUMMARY

Exhibit B presents details covering the various pieces of personal hand tools and equipment supplied by Stauffer for various craftsmen. An agreed upon average of \$0.10 per manhour will be used based on the above calculations. See paragraph 15 under "Direct Charge."

GENERAL SHOP CHARGES

<u>Description</u>	<u>Labor</u>	<u>Material</u>	<u>Total</u>
<u>Tool Room Attendant</u> - Material includes purchase of tools, gloves, welding rod, oxygen, acetylene, nitrogen, etc.	\$ 3,541	-	\$ 3,541
<u>Shop Janitor</u> - Clean-up - Grease and oil shop equipment, maintain washroom facilities, material purchases, including oil, rags, soap, cleaning reagents, etc.	2,517	\$ 22	2,539
<u>Maintenance General Shop Building</u> - Includes repair of coolers, water coolers, changing lights, painting building	5,551	3,234	8,785
<u>General Monthly Orders</u> - Small miscellaneous jobs - Standby - Small tool maintenance -			
Inst. & Electricians	\$1704		
Mechanists	57		
Pipefitters	38		
Painters & Carpenters	284		
Laborers	57		
Boilermakers	57	463	386
			1,049
<u>Motor Repairs</u>	113	66	179
<u>Maintenance Carpenter Shop & Paint Shop</u>	227	132	359
TOTAL	\$12,612	\$3,840	\$16,452

(See paragraph 15 under Direct Charges).

EXHIBIT D

Calculation for Burden Consideration

A. LABOR VALUE RATIO

Total Montrose Labor (6 Months 1963) $\$259,322$ = 30% Labor Value
Total Montrose and Stauffer (6 Months 1963) $\$876,524$ Ratio

B. NUMBER OF EMPLOYEES RATIO

Montrose:

Salary 19
Operators 27
Maintenance (Assigned) 42
Maintenance (Borrowed) 2

$90 \div 307 = 29\%$ Number of Employees Ratio

Calculations on Montrose Borrowed Maintenance (6 Months) -
118 Maintenance days $\times 8 = 1,024$ Hrs. = 1 Man

1,891 Hrs. + 1,024 Hrs. (Total borrowed maintenance
hours - Montrose) = 2 Men

C. EMPLOYEE PAYROLL TAXES AND BENEFITS RATE FOR MONTROSE HOURLY EMPLOYEES

Straight Time Earnings (1962) $\$1,469,423$
Premium Payments 104,442
Payments Unworked Time 92,968
Clothing Allowance 3,268

Gross Earnings $\$1,670,101$

Payroll Taxes (Legally Required Benefits) \$ 86,872
Insurance & Retirement Plan (Voluntary Benefits) 100,351
 $\$ 187,223$

$\$187,223 \div \$1,670,101 = 11\%$

D. EMPLOYEE PAYROLL TAXES AND BENEFITS RATE FOR STAUFFER HOURLY EMPLOYEES
WORKING FOR MONTROSE

Straight Time Earnings $\$1,469,423$
Premium Payment 104,442
Clothing & Meal Allowances 4,439
 $\$1,578,304$

Payments Unworked Time \$ 92,968
Payroll Taxes (Legally Required Benefits) 86,872
Insurance & Retirement Plans 100,351
 $\$ 280,191$

$\$280,191 \div \$1,578,304 = 18\%$

00-0100000000

SCHEDULE 2

RECOMMENDED ALLOCATION PLAN

Charges from Los Angeles Office by Stauffer Chemical Co. 22 Montrose

1. PAYROLL CHARGES FOR GENERAL OFFICE AND ACCOUNTING:

Typist - R. Schmidt	43.0%
Mail Clerk - R. Camplin	1.0%
Comptometer Operator - C. Green	23.0%
Payroll Checks, etc. - F. Tyce	3.0%
Supervision - W. A. Smith	30.0%
Sales - L. Isler	25.0%
- Secretary	12.5%
PEX Operator - G. Hines	10.0%

Total Payroll Charges \$1,145

2. PAYROLL TAXES AND BENEFITS - 10% of Payroll 115

3. OFFICE RENT:

Estimated area used in 500 South Virgil Avenue is
333 sq. ft. X \$3.00/sq. ft. (per Pro forma Statement) =
\$2,665 + 12 = 222

4. MISCELLANEOUS:

Estimated amount to cover depreciation on office machines,
stationery, local telephone calls, etc. 50
Total Allocated Charges \$1,332

SCHEDULE 1

Computation of Processing Payroll c- 15M

June 30, 1963

	<u>Mc-1v</u>	<u>Salary</u>
Man Hour Cost to Process Payrolls for one Year		
Data Processing Section	\$3,341	\$1,314
Key Punch Section	<u>315</u>	<u>224</u>
Total Cost	\$3,656	\$1,538
Add Payroll Taxes, Benefits at 10%	365	153
Machine Costs for the Year	3,947	1,682
Supply Costs for the Year	<u>1,630</u>	<u>899</u>
Total Costs to Process Payrolls for the Year	\$9,521	\$4,272
Average Number of People on Payroll	848	939
Cost to Process One Man on Payroll for Month	<u>\$0.9455</u>	<u>\$0.3811</u>

00-0100000000